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Project Report

BRITISH COLUMBIA FINANCIAL REVIEW: THE ISSUE OF PERSONNEL, SHADOW FTES AND COLLECTIVE BARGAINING

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Executive Summary—Personnel, Shadow FTEs and Collective Bargaining

This report examines the government's policies on the use of personnel. It finds that, notwithstanding the previous government's announced policy of "downsizing", there are about 2,200 more staff working for the provincial government than there were in 1984. Total actual government employment includes 27,400 official Full Time Equivalents (FTEs), 8,428 staff excluded from the FTE count, 1,446 FTE equivalents on personal service contracts, and 2,595 "privatized" employees performing government functions. This is a total of 39,869. Excluding the 2,595 privatized FTEs gives a total of 37,274.

Because of data limitations we were unable to offer an opinion as to the comparative cost-benefit of hiring staff on contract or as regular public servants.

Inconsistencies in hiring and salary policy are producing inequities and upward pressure on salaries.

The report concludes that the mechanisms for the control and reporting of employment in the public service are ineffective at controlling payroll costs and the number of staff. It recommends that:

- The present focus on full-time equivalent employees be replaced with controls based on actual expenditures for staff, regardless of the category in which they are hired.
- A review of personal service contracting-out policies be undertaken in consultation with the BCGEU.
- A strategy be developed to give the government greater influence over wage settlements agreed to by Crown corporations, health facilities, schools and other public agencies.
- In some cases, the hiring procedures are being circumvented, as a means of obtaining necessary staff.

The Issues of Personnel and Shadow FTEs

A. Description

The terms of reference of the British Columbia government review include:

> *"A review of the use of personnel with regard to the limits contained in the budget estimates and an estimate of the indirect manpower use (shadow full-time equivalents) through the use of contracts for tasks that have been, traditionally, performed by public servants."*

This report contains our assessment of this issue, our findings and recommendations.

1. Primary and subsidiary issues

The primary issue being investigated is to determine the number of personnel that actually work for the government, regardless of how the financial resources required to pay them are shown in ministry budgets. Those personnel fall into a number of categories, as follows:

- Full-time equivalents (FTEs).
- Exempt full-time equivalents, i.e., positions in addition to the established FTE maximums.
- D-Manuals.
- Personal service contractors.

These are explained in detail later in this report.

The level of control that the government has over employees in each category differs, particularly with respect to the number of people hired and their compensation. While there are strict FTE limits for each ministry in the government budget estimates approved by the Legislature, there are lesser degrees of control on the number of exempt FTEs, D-Manuals and contractors.

The subsidiary issues are:

- How well does government monitor FTE usage?
- Do policy and program exemptions to the FTE control process make sense?
- Are the non-budgetary sources of FTEs being abused?

2. Entities involved

The issue of personnel and shadow FTEs involves every ministry. Crown corporations are not subject to the same budgetary controls, and hence are not affected to a great extent by this issue. Crown corporations typically have their own payroll systems, budgetary processes and collective agreements which impose other forms of control on personnel and contractors.

3. Related issues

There are two related issues, for which separate papers have been prepared, namely:

- **Financial legislation.** The Financial Administration Act prescribes the framework within which budgets must be prepared, including the basis for controlling personnel through FTE budgets.
- **Financial controls.** This paper makes it clear that the controls on expenditures for personnel are inappropriate.

B. Government policies

The principal government policy that deals with control of the number of personnel in the ministry is found in Section 2.1 of the Personnel Management Polices and Procedures Manual, and is entitled "Public Service Act Directive." This directive applies to all ministries and special offices for which salary and manpower allocations are approved in the annual budget estimates.

The principal provisions of this directive that affect this issue are:

- A full-time equivalent (FTE) is defined as the equivalent of one person working 1,827 hours in one year.
- The maximum number of FTEs that may be employed by each ministry must be specified in the annual estimates. The number of FTE positions actually filled at any point and the total number of authorized positions are different. The first will normally be smaller than the second.

- Monitoring and control of ministry manpower is based on authorized FTEs, not on the number of positions filled or employees.

- Deputy Ministers are responsible for organizing and structuring their ministries to achieve program objectives in the most economic, efficient and effective manner.

- Each Deputy Minister is accountable for ensuring that their ministry remains within the established FTE limit.

- An increase in ministry FTEs above that contained in the approved estimates requires:

  - A submission by the ministry, signed by the Minister, to the Chairman of Treasury Board, explaining and justifying the need.

  - Approval of the submission by the Minister responsible for Government Personnel Services Division and the Treasury Board.

  - Preparation of an Order-in-Council, pursuant to Section 20(6) of the Financial Administration Act, for Cabinet Approval.

  - Upon Cabinet Approval, the Order-in-Council must be signed by the Lieutenant Governor.

- Exemptions from the FTE control and monitoring system must be approved by the Assistant Deputy Minister responsible for Government Personnel Services Division.

C. Government practices

Government organization practices have evolved to compensate for the limits imposed on manpower levels by the formal FTE control and monitoring system. This section discusses government practices with respect to:

- The FTE exemption process.

- D-Manuals.

- Contracting for staff.

1. The FTE exemption process

There are numerous exemptions to the policy requirement of centrally authorized FTEs. Currently, the exemptions can be classified as:

- Policy decisions:
  - Premier and Ministers.
  - Specific boards, commissions, councils or programs.
  - Judiciary officials—judges, justices of the peace, etc.
  - Other—foreign locally engaged, enumerators, etc.
- Placements:
  - Personal (pay and work-restricted).
  - Priority (surplus or reorganization staff).
  - Rehabilitation (long-term disability).
- Educational, pay restricted and non-bargaining union work.
  - Youth employment program.
  - Cooperative student program.
  - AIESEC student exchange program.

Ministries are required to submit proposals for exemptions to the Assistant Deputy Minister responsible for the Government Personnel Services Division of the Ministry of Finance and Corporate Relations. The Assistant Deputy Minister is then required to determine whether the request for an exemption to the approved limits is consistent with the accepted categories of exemption.

This FTE exemption program was introduced in 1983/84 at a time when efforts were being made to "downsize" the public service. As will be seen, the government has made very extensive use of these provisions.

2. D-Manuals

The automated government payroll system is not used for paying all government employees. Rather, it is used for paying all regular staff that are included in the FTE control and monitoring system and some others.

A separate manual payroll system is used to pay employees, either at the commencement or termination of their employment, where lead times for obtaining a pay cheque are not appropriate, or for on-call/standby employees where the automated payroll system cannot provide the eight-day turnaround required to pay these employees. These employees are collectively referred to as "D-Manuals".

"D-Manuals" are employees that in most cases should be included in the FTE control and monitoring system. However, government practice has been to ignore the "D-Manuals" in the calculation of FTEs utilized by each ministry.

3. Contractors

Ministries are major employers of contractors in a number of areas where the contractor is, in essence, an employee of the government. Contracting of services is subject to the contract management controls developed and administered by each ministry. The funds for the payments to these staff are included in government estimates in a number of Standard Objects of Expenditures (STOBS), including:

STOB Number	Types of Service
15	Administrative/clerical
20	Professional/legal
25	Data and word processing Maintenance, Consulting and Support
40	Advertising/promotion
42	Publications
68	Computer system development and enhancement

Once ministry spending estimates have been approved by the Legislature, ministries are able to utilize contractors for service, including those that could be performed by government personnel, as long as they stay within their authorized budgets for this.

D. Basis of assessment

We have reviewed the personnel and shadow FTE issue by:

- Seeking information from each ministry/agency on FTEs and contractors for the current year.
- Seeking historical information on FTEs, exempt FTEs, D-Manuals and contracts from Government Personnel Services Division of the Ministry of Finance and Corporate Relations.
- Reviewing summaries of contracts provided to the new government's Transition Team.
- Discussing organizational issues with staff of Government Personnel Services Division.

Our assessment included:

- Compiling information on use of **all** categories of FTEs whether regular, exempt, D-Manual or on contract.
- Examining hiring trends.
- Assessing government policies and practices for effectiveness.
- Developing recommendations to mitigate problems and for further study.

We have looked at the available information, and used what we considered to be the most accurate. We cannot be certain that we have complete data on all hirings. Some ministries do not keep central registries of contractual staff and are consequently unable to report fully accurate figures on this category. In some cases, the data was inconsistent.

E. Analysis

1. Government ministries have about 27,400 approved and employed FTEs

Exhibit I presents a summary of public service and contract FTEs by ministry. This information was compiled from questionnaires completed by each ministry as part of the financial review.

Exhibit I indicates that government ministries employ about 28,800 FTEs and contract for a further 1,400 FTEs. We believe that this indicated number of FTEs is misleading in that:

- Some ministries provided "budgeted" FTEs.
- Some ministries provided actual FTEs.
- Some ministries included exempt FTEs while others do not.
- Some ministries provided figures for which we cannot identify the basis of compilation.

On the other hand, the Government Personnel Services Division (GPSD) reported to us a total of 27,400 FTEs actually employed as of November 23, 1991, based on the FTE monitoring system, which analyzed hours worked from the automated payroll system. These numbers are believed to be very accurate. Exhibit II presents the actual and budget FTEs by ministry as reported by GPSD. On November 21, 1991, GPSP reported that "the approved 1991/92 figures from the estimates for FTE utilization are 27,993."

Exhibit I
Summary of ministry personnel[1]

Ministry	Public Service FTEs[2]							Contract FTEs[2]						
	Permanent Full-time	Permanent Part-time	Auxiliary	Temporary	Seasonal	Overtime	Total	Permanent Full-time	Permanent Part-time	Auxiliary	Temporary	Seasonal	Overtime	Total
Aboriginal Affairs	48.0	1.0	5.0	-	-	-	54.0	6.5	0.3	-				6.8
Advanced Education	278.8	-	35.9	-	-	2.6	317.3	48.0	-	-				48.0
Agriculture, Fisheries and Food	418.0	-	20.0	-	-	-	438.0	6.8	-	13.1				19.9
Attorney General[3]	5,728.0	-	-	-	-	-	5,728.0	344.0[5]	-	-				344.0
Economic Dev., Small Business and Trade	649.0	-	-	-	-	-	649.0	6.8.0	-	-				6.8.0
Education	310.0	8.0	26.0	-	-	-	344.0	67.9	-	-				67.9
Energy, Mines and Petroleum Resources	310.0	4.0	70.0	-	-	3.4	387.4	9.4	11.0		4.6	15.0		40.0
Environment, Lands and Parks	901.0	-	-	-	-	-	901.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Finance and Corporate Relations	1,101.0	13.0	93.5	-	-	-	1,208.0		-	96.0			-	96.0
Forests	3,734.0	61.0	181.0	-	27.3.0	-	3,949.0	N/S	N/S	N/S	N/S	N/S	N/S	179.5
Government Services[4]	344.6	0.0	73.0	-	-	-	417.6	22.0	8.0	-	1	-	-	31.0
Health	4,196.0	678.0	432.0	-	-	23.8.0	5,544.0	175.0	76.0	-		46.0		297.0
Labour and Consumer Services	425.0	13.6	21.0	-	2.0	0.5	462.1	2.0	20.0		0.8			22.8
Municipal Affairs, Recreation and Housing	673.5	11.1	54.8	-	-	2.5	741.9	-	-	-	25.0	-		25.0
Social Services	3,436.0	199.0	740.0	-	-	19.0	4,394.0	1.0	-					1.0
Tourism and Culture	N/S	N/S	N/S	N/S	N/S	N/S	31.7.0	N/S	N/S	N/S	N/S	N/S	N/S	12.0
Transportation and Highways	2,537.0	3.0	272.0	5.0	20.0	189.0	3,026.0	-	-	187.0		-	-	187.0
Women's Equality[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	24,716.9	991.7	2,024.2.0	5.0	295.0	455.0	28,802.3	750.6	115.3	296.1	31.4	61.0		1,445.9

[1] *Based on completed questionnaires returned by each Ministry to the study team.*

[2] *Based on 1,827 hours per full-time equivalent (FTE).*

[3] *Figures for Solicitor General were obtained from Government Personnel Services Division of Ministry of Finance and Corporate Relations.*

[4] *Government Services contains Women's Equality and Provincial Secretary.*

[5] *Does not include Solicitor General.*

N/A—Not applicable.

N/S—Not specified (only a total was provided).

We believe that the November 23, 1991 numbers reported by GPSD represent the best estimate of FTEs by ministry, and are more accurate than those provided to us by individual ministries. The number of FTEs reported by government ministries, agencies and Crown corporations differ somewhat from those contained in this report. The differences are probably due to inconsistent data collection and reporting methods and timing.

Exhibit II
GPSD[1] estimate of public service FTEs—November 23, 1991

Ministry	Budgeted and approved FTEs	Actual FTEs[2] employed
Aboriginal Affairs	62	44
Advanced Education	324	308
Agriculture, Fisheries & Food	438	430
Attorney General	2,170	2,102
Auditor General	90	89
Economic Development, Trade & Tourism	723	702
Education	344	326
Energy, Mines & Petroleum Resources	389	371
Environment	1,273	1,266
Finance & Corporate Relations	919	848
Forests	3,949	3,891
Health	4,087	3,988
Labour & Consumer Services	594	571
Lands & Parks	901	881
Municipal Affairs, Recreation & Culture	767	749
Ombudsman	38	38
Premier's Office	60	52
Provincial Secretary	235	225
Social Services & Housing	4,468	4,348
Solicitor General	3,305	3,294
Transportation & Highways	2,741	2,775
Women's Programs & Government Services	116	102
TOTAL	27,993	27,400

[1] *GPSD—Government Personnel Services Division.*
[2] *Average from April 1, 1991 to November 23, 1991.*

2. FTE exemptions cover 7,900 more staff

Exhibit III contains a summary of FTE exemptions by ministry/office as of November 23, 1991. As indicated, a total of 7,900 in FTEs were exempted from the FTE control and monitoring process or 28.2% of the number reported by the FTE system. Five ministries/offices make up 82% of the total, namely:

- Liquor Distribution Branch—2,437 FTEs.
- B.C. Mental Health Society (Riverview Hospital)—1,990 FTEs.
- Ministry of Health (Emergency Health Services)—845 FTEs.
- Women's Programs and Government Services (Superannuation Commission, Queen's Printer, and Purchasing Commission)—622 FTEs.
- Glendale.—615 FTEs.

The FTE exemption program has increased in size steadily since its inception in 1983/84. From a beginning total of about 3,900 FTEs exempt at the time the new control program was established, the number has slightly more than doubled. On the other hand, as discussed later in this report, the number of monitored or reported FTEs has decreased during this period.

3. D-Manuals average 528

The monitoring of D-Manuals has only been undertaken for the past three fiscal years. The average number of D-Manual FTEs during these three years were as follows:

Fiscal Year	D-Manual FTEs
1989/90	543
1990/91	474
1991/92 (April-December)	528

The number of D-Manuals varies substantially by month, depending on seasonal and other factors. The number in September, 1991 was 630.

4. Personal service contracts represent an unknown number of FTEs

As indicated previously in Exhibit I, government ministries estimate that contract staff (however defined) represent a total equivalent to 1,446 FTEs in 1991/92. This total includes all existing and pending contracts as of November 1991.

Exhibit III
Summary of FTE exemptions—November 23, 1991

Ministry/Office	Exempt FTEs
Aboriginal Affairs	1.0
Advanced Education	17.0
Agriculture, Fisheries & Food	2.0
Attorney General	374.7
Auditor General	1.1
B.C. Mental Health Society*	1,990.0*
B.C. Utilities Commission	23.0
Economic Development, Trade & Tourism	5.0
Education	13.5
Energy, Mines & Petroleum Resources	22.5
Environment	52.6
Finance & Corporate Relations	355.8
Forests	54.7
Glendale	614.8
Health*	844.8*
Labour & Consumer Services	184.3
Lands & Parks	4.0
Liquor Distribution Branch**	2,437.0**
Municipal Affairs, Recreation & Culture	37.4
Ombudsman	1.3
Premier's Office	1.0
Provincial Secretary	196.6
Social Services & Housing	10.1
Solicitor General	4.0
Transportation & Highways	29.7
Women's Programs & Government Services	622.2
TOTAL	7,900.1

**May be overstated by a total of about 300 FTEs insofar as B.C. Mental Health Society and Emergency Health Services only report employees, not FTEs.*

***As of November 1, 1991, LDB estimated FTE usage at 2,640.7. The reason for the difference of about 200 FTEs has not been determined, though it could relate to different reporting periods.*

This number was arrived at by a separate assessment of the number of FTEs related to personal service contracts. This assessment utilized contract summaries prepared by each ministry in September/October 1991 and presented to the incoming government's Transition Team. Our definition of a personal services contract was based on the following parameters:

- Minimum value of $10,000.
- Minimum length of three months.
- Awarded without competition.
- Awarded to an individual, not a company.

There are obvious limitations to this approach, which have the effect of underestimating the number of contract FTEs. We believe, however, that it provides a reasonable, though conservative, estimate of the number of FTEs on contract. It is difficult to drop any criterion without losing some accuracy in our comparisons.

We were able to identify a total of 985 FTEs as represented by known, active and pending contracts. Contracts that were signed after the date of preparation of the summary and were not listed as pending would increase this total further.

We believe that the total of 985 FTEs is a fair, though conservative, estimate and likely validates the information provided by the ministries via our questionnaire, as summarized in Exhibit I. However, our estimate is based on information provided for a shorter period of time and on a very restricted definition of a personal services contract. Accordingly, we believe that the 1,446 FTEs of personal services contracts, as estimated by the ministries, is a reasonably reliable estimate of the actual total.

5. Total government "employment" appears to be higher now than in 1983/84

Exhibit IV summarizes government employment over the period 1983/84 to 1991/92. Apart from the trends in individual employment categories (columns), we warn the readers of this report about drawing major conclusions about the totals. There is significant missing information on D-Manuals prior to 1989/90 and on personal service contracts prior to 1991/92.

Nevertheless, there was a substantial increase in total employment in 1991/92 as compared to 1983/84. It is unlikely that the number of D-Manuals and personal service contract FTEs alone account for this difference.

Exhibit IV
Historical summary of government employment

Fiscal Year	Public Service Employment: FTE Monitored Positions[1]	Public Service Employment: FTE Exemptions[2]	Public Service Employment: D-Manuals[3]	Public Service Employment: Total	Contract Employment: Personal Services Contract FTE's[4]	Contract Employment: Privatized FTE's[5]	Total Employment
1983/84	37,654	—	N/A	37,654	N/A	N/A	37,654
1984/85	33,960	3,902	N/A	37,862	N/A	N/A	37,862
1985/86	33,951	3,902	N/A	37,853	N/A	N/A	37,853
1986/87	33,586	3,922	N/A	37,508	N/A	N/A	37,508
1987/88	31,204	6,009	N/A	37,213	N/A	N/A	37,213
1988/89	28,155	6,043	N/A	34,198	N/A	2,595	36,793
1989/90	26,767	7,051	543	34,361	N/A	2,595	36,956
1990/91	27,081	7,237	474	34,792	N/A	2,595	37,387
1991/92	27,400	7,900	528	35,828	1,446	2,595	39,869

N/A—Not available

[1]*Compiled by Government Personnel Services Division (GPSD) of Ministry of Finance and Corporate Relations. Figures reflect actual FTE usage as of November 23, 1991, and exclude the Legislative Assembly.*

[2]*Compiled by GPSD may overstate FTEs by about 300, as B.C. Mental Health Society and Emergency Health Services only report number of employees rather than FTEs.*

[3]*Historical information on D-Manual FTEs is not available prior to fiscal year 1989/90.*

[4]*Based on Ministry response to questionnaire.*

[5]*Based on GPSD estimate.*

Our observations about government employment are as follows:

- The number of FTE monitored positions has increased by 2.4% since 1989/90.
- The number of FTE monitored and exempt positions has increased by 3.2% since 1988/89.
- If the effects of privatization are accounted for (GPSD estimates 2,595 FTEs), total government employment remained relatively constant from 1983/84 to 1990/91, but increased by 1,036 FTEs (2.8%) in 1991/92, excluding personal service contractors.
- If the effects of privatization and contracted work are also included, government FTE usage is most likely about 2,000 FTEs higher now than in 1983/84. This is despite the downsizing that occurred in the mid to late 1980s. Early retirements amounted to 2,585 FTEs and restructuring resulted in the reduction of a further 1,432 FTEs through layoffs.

6. Crown corporation employment is significant

Exhibit V summarizes public service and contract FTEs for the main Crown corporations and other government agencies. As indicated, total public service FTEs for these amount to almost 23,000 while contract FTEs amount to almost 2,300.

With the exception of B.C. Hydro and Power Authority and B.C. Systems Corporation, contracting is not common in Crown corporations. In many cases this is the result of the provisions of labour agreements. B.C. Hydro accounts for 2,092 FTEs in contract services, 91% of the total for all Crown corporations. This includes a number of functions, e.g., backhoe services, tree trimmers, etc, which are purchased on an occasional basis and do not represent pure labour service contracts. This estimate is thus misleading. Our terms of reference did not include a detailed examination of employment trends in the Crown corporations and agencies. These number in excess of 200 and any review equivalent to that we have performed on ministries would take much longer than the time available, because there is no central source of the necessary data.

7. Contract FTEs appear, on average, to be more expensive than public service FTEs

Our analysis indicates that the average cost of filling an FTE position is, on average, about 20% below the average cost of those hired on contract. The relevant numbers are as follows:

Type of FTE	Average Annual Cost
Employee(includes salary and benefits)	$42,000
Contractor	$50,300

Exhibit V
Summary of key Crown corporation/agency personnel[1]

	Public Service FTEs[2]							Contract FTEs[2]						
Ministry	Permanent Full-time	Permanent Part-time	Auxiliary	Temporary	Seasonal	Overtime	Total	Permanent Full-time	Permanent Part-time	Auxiliary	Temporary	Seasonal	Overtime	Total
B.C. Assessment Authority	655.0	-	-	-	13.0		668.0	-	-	-	-	-	-	0.0
B.C. Building Corporation	770.0	4.0	-	10.0	-	-	784.0	-	-	-	17.0	-	-	17.0
B.C. Ferry Corporation	2,112.0	-	903.0	-	-	79.8	3,094.8	11.0	-	-	-	-	-	11.0
B.C. Hazardous Waste Management Corp.	13.0	-	-	1.0	-	-	14.0	-	-	2.0	1.0	-	-	3.0
B.C. Hydro and Power Authority	4,523.0	-	1,245.0	-	-	-	5,768.0	2,092.0	-	-	-	-	-	2,092.0
B.C. Lottery Corporation	355.0	-	-	-	-	-	355.0	-	-	-	-	-	-	0.0
B.C. Pavilion Corporation	131.0	5.0	57.0	17.0	0.0	0.0	210.0	-	-	-	-	-	-	0.0
B.C. Petroleum Corporation	7.0	-	-	-	-	-	7.0	4.0	-	-	-	-	-	11.0
B.C. Rail	2,314.0	9.0	-	193.0	173.0	-	2,689.0	-	-	-	-	-	-	0.0
B.C. Systems Corporation	805.0	11.0	21.0	26.0	-	17.0	880.0	89.0	-	31.0	3.0	-	-	123.0
B.C. Trade Development Corporation	88.0	2.0	-	7.0	-	-	97.0	8.5	-	-	-	-	-	8.5
B.C. Transit	3,787.0	35.0	-	70.0	-	135.0	4,027.0	18.0	3.0	-	-	-	-	21.0
Discovery Foundation	15.0	-	-	-	-	-	15.0	1.0	-	-	2.2	-	-	3.2
Insurance Corporation of B.C.	3,545.0	73.0	-	123.0	-	90.0	3,831.0	-	-	-	-	-	-	0.0
Pacific National Exhibition	150.0	200.0	-	-	75.0	-	425.0	3.5	5.0	-	-	3.3	-	11.8
Science Council	26.0	0.6	-	-	-	-	26.6	3.0	-	-	-	-	-	3.0
TOTAL	19,296.0	339.6	2,226.0	447.0	261.0	321.8	22,891.4	2,230.0	8.0	33.0	23.2	3.3	0	2,297.5

[1] *Based on completed questionnaires returned by each organization to the study team.*

[2] *Based on 1,827 hours per full-time equivalent (FTE).*

The average annual cost of employees was provided to us by the Ministry of Finance and Corporate Relations. The annual cost of a contractor is based on our analysis of contracts as discussed previously in this report. The 985 contract FTEs had a total contract value of $49,557,000.

We also made comparisons for specific ministries. These figures must be treated with great caution, as the positions being compared are different. The respective numbers for individual ministries are also quite different. A few examples are shown below:

Ministry	Average Cost of Contract FTE	Average Cost of Employee FTE	Contract as % of Employee
Advanced Education	$61,700	$47,500	138
Agriculture, Fisheries and Food	32,800	50,700	65
Education	70,000	44,200	158
Transportation and Highways	50,700	35,800	142
Economic Development	36,800	51,000	72
Forests	31,200	47,600	65

We have attempted to review the level of compensation for particular contract employees compared to the wages and benefits paid to a government employee. This process was difficult to undertake in that the contract summaries usually do not contain enough information to determine the comparative government employee classifications. Exhibit VI contains our assessment of the relative costs of contractors versus employees for specific cases where we believe that sufficient information is available to make a determination of the appropriate basis for the comparison.

As indicated in this exhibit, in some cases the contract costs are lower than the wages and benefits for an employee, while in other cases they are substantially higher.

A more detailed analysis is required to compare the cost and utility of a contractor with the cost and utility of a similarly qualified public service employee. Without this analysis, it is not possible to determine if government is incurring a cost saving or cost increase for the use of contract staff. This is so, in part, because reliable and complete data on the mean salaries and benefits are hard to obtain; and comparative data on actual performances do not exist.

F. Findings and conclusions

Our findings and conclusions cover:

- The level of government employment.
- The effectiveness of the FTE monitoring process.
- The effectiveness of the FTE control process.
- The use of personnel acquired through other sources (FTE exemption, D-Manuals, contractors).
- The effectiveness of the FTE exemption process.
- The relative cost of contract versus public service employees.
- The potential risks of utilizing personal services contractors to perform work usually done by government employees.

These are discussed below:

1. The FTE numbers approved by the Legislature in the annual budget underestimate government "employment".

The provincial budget for the fiscal year ending March 31, 1992 restricts budgetary expenditures for regular staff to 27,993 FTEs. As of November 23, 1991, government ministries/offices employed 27,400 FTEs. In other words, the government appeared to be complying with the formal limit on employees.

In fact, these numbers understate government employment by 35% because they do not contain employees that are classified as FTE exemptions, D-Manuals or contractors. The inclusion of employees in those categories raises government employment to an estimated 37,274 FTEs, just slightly less than total employment in 1983/84. These figures should be treated with caution however, because:

- Information on D-Manuals is not available prior to 1989/90.
- Information on personal service contracts is not available prior to 1991/92.

We are relatively confident in concluding, however, that the size of the actual government workforce is growing in virtually every classification of employment. Furthermore, if the number of privatized staff working for the province are included, the government workforce is about 2,000 FTEs larger now than it was in 1983/84, despite the downsizing that took place (early retirement, restructuring).

Exhibit VI
Comparison of sample contract rates and government employee compensation

Contract Position	Ministry	Payment	Equivalent Government Position	Salary*	Contract Differential
Executive Director of Education Innovation	Education	$106,407	MGMT LV 08	$76,648	$29,759
Director of Field Services	Education	92,574	MGMT LV 08	76,648	15,926
Systems Coordinator	Energy Mines & Petroleum Resources	65,000	SYSTEMS ANALYST 5	48,828	16,172
Librarian Assistant	Energy Mines & Petroleum Resources	24,995	OFFICE ASST 2	22,823	2,172
Research Analyst (repeat)	Forestry	35,150	RESEARCH OFF 2	40,219	(5,069)
Field worker/Supervisor (repeat)	Forestry	33,680	MGMT LV 01	40,983	(7,303)
Technical Assistant (repeat)	Forestry	38,940	FOREST TECH 3	28,590	10,350
Systems Operator	Forestry	42,000	SYSTEMS ANALYST 3	40,768	1,232
Research Analyst (repeat)	Forestry	33,500	RESEARCH OFF 2	40,219	(6,719)
Economic Analyst	Trans & Hwys	57,000	ECONOMIST 2	52,130	4,870
Inventory Administrator	Trans & Hwys	28,000	STOCKWORKER 3	27,040	960
Records Management Clerk	Trans & Hwys	25,900	CLERK 3	25,792	108
Receptionist	Premiers Office	24,720	OFFICE ASST 2	21,996	2,724
Systems Analyst	Women's Equality	47,800	SYSTEMS ANALYST 3	41,431	6,369

* *Does not include fringe benefits and vacation pay. These would add an average of 18.5% to base salaries for benefits and 15.3% for vacation pay; or another 33.8%.*

2. The FTE monitoring process appears to be effective

The GPSD monitors government FTE usage on a monthly basis. The process of measurement involves calculating the total numbers of hours of work paid for from the government's automated payroll system. Each ministry/office is tabulated separately and compared to the approved budget estimates.

This process appears to be effective in determining approved FTE usage.

3. The FTE control process is abused

However, our analysis of the FTE control process reveals that, while there is a policy detailing the steps required to increase FTE levels above those contained in the budget, ministries often circumvent it. This has been confirmed by our discussions with staff of GPSD.

At the present time, government as a whole is 593 FTEs below the approved budget. The Ministry of Transportation and Highways, however, is 34 FTEs over budget for the first 8 months of this fiscal year. According to GPSD, the Ministry has not received approval for the these additional FTEs.

The overall staffing control process appears to be seriously flawed. Ministries often manoeuvre around government policy, presumably because:

- The process of justifying additional FTEs is time-consuming and cumbersome.
- While one ministry may be over budget, government as a whole is under budget.
- Scrutiny and enforcement of FTE usage takes place after the fact and is relatively passive.
- The formal FTE process has not provided enough staff to carry out ministry programs and must be circumvented if goals are to be met.

4. The use of other sources of FTEs is growing

Our analysis indicates that while the number of FTEs approved in the budget has decreased, the actual use of FTEs by other names has increased.

- Since 1983/84, the number of FTE exemptions has grown to 7,900.
- While the number of D-Manuals has been relatively stable over the past three years, GPSD believes that the program has been abused since the mid-1980s when government was "downsized".

- The number of FTEs represented by personal service contracts has risen, though to what extent is unclear.

These practices indicate that the FTE control process is not effective as a means of controlling or allocating government employment. The control process leads to the widespread use of employees from other sources, over which less financial control or accountability exists. A more accurate and effective system is required if government deficit reduction objectives are to be achieved.

5. The FTE exemption process is abused

The FTE exemption process involves the approval by the Assistant Deputy Minister of GPSD of any requests for exemption from the FTE control process. The exemption process has been abused by some ministries. They have bypassed GPSD and received the approval of Treasury Board for further exemptions.

These instances lead to questions about the reasons for the exemptions so obtained. There is a question of whether the exemptions requested would have met the standard criteria used by GPSD.

These are also a further example of an inappropriate employment control system.

6. The cost benefit of contracting is not clear

Individual ministries have a wide variety of views on contracting, including:

- Contracting is more expensive, but it's the only way around FTE controls.
- Contracting is cheaper.
- No comparisons of contractor versus employee costs and benefits have been made.

The one area in which there is some agreement is that contracting information systems work is more expensive than having an employee do the same work. This seems to hold true for both B.C. Systems Corporation (BCSC) and private contractors. Several ministries noted a 50% premium for staff seconded from BCSC.

7. The use of personal service contractors has some risk

Many of the personal service contractors used by the provincial government are, in essence, full time staff. Many of them meet several of the tests as to whether an employer/employee relationship exists, such as:

- Have a government business card.

- Are listed in the government telephone directory.
- Have a government-provided office.
- Work along side government employees after doing the same work.
- Are supervised by a government employee.
- Use the Ministry's tools and/or supplies.

These tests are used by Revenue Canada, and other agencies and legislation, to define when an employer/employee relationship exists.

If such a relationship is determined to exist, the government may be liable for the payment of benefits and withholding of income tax. The provincial government has apparently already lost a number of cases in this respect.

The government has also had a number of grievances filed by the B.C. Government Employees Union (BCGEU) respecting illegal "contracting out" and has lost a number of these in arbitration.

8. The monitoring of contracts appears to be poor and inconsistent

Our review of records on contracts indicates that government has little consolidated information on the scope and types of contracts being signed. For example, the Ministry of Forests does not have a central registry for contracts. Each regional office maintains its own summary of contracts, and these appear to be inconsistent in completeness and format. The contract summaries provided to us were incomplete and appear to underestimate the actual extent of contracting.

G. Recommendations

1. Consideration should be given to the present FTE controls system

The present FTE control process does not appear to be an effective tool in controlling government expenditures on staff. Accordingly, we believe that the Financial Administration Act should be revised to remove the requirement for FTE controls. In its place, controls should be placed on actual expenditures on staff, regardless of category. This method is also more appropriate to a situation in which the government is striving to control costs and balance its budget. This is discussed in depth in a separate paper (Financial Administration).

2. Government should count all FTEs on their payroll

An accurate picture of government employment can only be prepared if government routinely collects information on **all** employees (FTEs, exempt FTEs and D-Manuals) in one place, using standard terms. Elimination of the FTE control process should negate the need for the FTE exemption process and make this calculation easier. This form of the personnel control and allocation procedures will give a more accurate picture of actual public employment and offer better data on costs and benefits.

GPSD already has a system in place to calculate D-Manual FTEs. This system should be tied in to the staff monitoring system.

Without these changes, the wholesale loss of control and misperceptions of the actual number of provincial employees will continue.

We believe that in certain areas where there is recurring and regular use of contracted staff for a given task there is a greater likelihood that using regular public service staff will be less costly. On the other hand, it does make sense to hire staff on contract for highly specialized, unique or one-time projects.

3. Government should undertake a review of its staff contracting practices

The government has made extensive use of contracting for staff. Many of these services could be more efficiently and cost-effectively provided by government employees.

We believe that government should undertake a review of its contracting practices, including:

- Determining the actual extent of contracting.
  - Types of service.
  - Repeat contracts.
- Determining the adequacy of contracting registry.
- Determining the comparative costs and benefits of contracting.
- Determining the risks (financial, other) of engaging contractors in place of full-time employees.
- Developing a new government-wide contracting policy in consultation with the BCGEU.
- Developing a government-wide contract registry.

The Issue of the B.C. Government's Role in Collective Bargaining

A. Description

1. Primary and subsidiary issues

The fundamental issue to be addressed in this paper is the adequacy of government's capacity to influence labour relations generally and salaries and benefits in particular, within the public sector. Specifically, is the government able to influence, or at least reliably forecast, the financial implications associated with the negotiation of collective bargaining agreements in the provincial government, Crown corporations and provincially funded agencies? This includes the health care and education sectors.

As noted in our overview report, salary costs are a major contributor to the provincial deficit.

The future implications are not inconsequential. Crown corporations, school districts, health care facilities and others have, on the one hand, the autonomy to successfully negotiate a collective agreements with their bargaining units. On the other hand, they rely heavily, and in some instances, exclusively, on funding from provincial coffers. Effective management and control of provincial resources requires a degree of influence from the provincial authorities that is equivalent to the impact of these costs on the province's overall financial position.

Events that transpire within provincial government organizations, even if they are autonomous, can impact significantly on the ability of the provincial government to manage its own affairs. A negotiated settlement in one of the Crowns or within the education and health care sectors can create expectations among provincial government employees and accordingly jeopardize the ability of the government to bargain fairly with the British Columbia Government Employee's Union (BCGEU). This can establish a pattern of settlements that may exceed government ability to pay while also achieving its other major objectives.

2. Entities involved

The entities which are affected by this issue include central government and its more than 37,000 employees, all of the Crown corporations, the 75 school districts in the province, colleges and universities and health care facilities. The impact of it

on provincial finances and the manner in which the government interacts with and influences each varies from organization to organization.

3. Related issues

A somewhat related issue is the manner in which these organizations receive their funding from government. The block funding approach provides maximum latitude for organizations to negotiate with their bargaining units. While this concept provides for the desired independence and autonomy, it also permits the individual employer to overspend in wage and benefit settlements. The result can translate into the forced restructuring or reduction of services or a request for additional funds.

B. Government policies

Government policies in the area of collective bargaining are clearly formalized with respect to its own employee groups. However, the autonomy provided to Crown corporations and the arm's length relationship with school districts and hospitals limit the policy impact the government is able to exercise in collective bargaining.

The Government Personnel Services Division (GPSD) is the agent of Treasury Board that has the legislated authority to bargain with the government employee groups. GPSD develops the approach to bargaining, including wage and benefit packages, and takes it to the Minister of Finance. The Minister of Finance, as the chair of Treasury Board, may approve outright or can bring the proposed mandate to Treasury Board. Treasury Board may approve the mandate or approve it with amendments. This mandate provides the framework the GPSD will work from in its negotiations.

C. Government practices

GPSD has informally attempted to exercise some influence within government-funded organizations. A committee chaired by the Assistant Deputy Minister, GPSD, meets to review the industrial relations issues and processes evident throughout the public sector. This group, however, serves largely an information sharing role.

As a courtesy, certain Crown corporations and the Health Labour Relations Association (HLRA) meet with the GPSD to explore what government's "comfort level" is with respect to wage settlements. However, there is no obligation to follow any recommendations or guidelines that have been suggested nor is there any real or perceived mandate approval mechanism.

D. Basis of assessment

In conducting this review, we have focussed on the role of the government in the negotiations of Crown corporations, school districts, colleges and universities, the health care sector and, of course, the central government. This focus provides a measure of the influence the government has in affecting the outcome of the negotiations.

Other jurisdictions are varied in their approach to this issue. Some jurisdictions use the same approach as British Columbia—allowing the independent agencies to bargain separately and autonomously. Others have attempted to introduce a central mandate approval authority or at least a sectoral mandate approval authority. Through these vehicles, the government is able to influence the outcome of the negotiations. A number of jurisdictions have in the last few years introduced legislation that limits the wage settlements that may be awarded. These jurisdictions, in introducing legislation, have decided that the process for adequate fiscal control is not in place within the public sector so the outcome is uncontrolled. To ensure control, they have been prepared to legislatively determine the mandate. This provides only a short term and contentious approach to negotiations.

E. Findings and conclusions

1. Central government

The provincial government has absolute control over the collective bargaining process with its 37,000 employees. This group is made up of the following employee groups:

-	British Columbia Employees Union	29,000
-	Professional Employees Association	1,300
-	Nurses	2,500
-	Management Exclusions	3,400
-	Other Exclusions (Judges etc.)	1,000

The bargaining process, from the perspective of GPSD, was outlined above. Historically, it can be demonstrated that this government has succeeded in achieving lower salary settlements with the group over which it has direct control than with public sector groups.

The government is currently negotiating with BCGEU as the previous three year contract expired in July, 1991.

2. Crown corporations

Crown corporations were set up to be independent from government. As such, each takes direction from its own Board of Directors. The Board will have

government representation through one or more ministers, but the information respecting labour relations does not seem to be communicated smoothly between the government and Crowns. Accordingly, Crowns can operate somewhat autonomously in their approaches to negotiations.

The collective bargaining circumstances and the government's influence in the process among Crown corporations. Within some Crowns the employees are very closely linked with the government's pay structure. In fact, BCGEU is the bargaining agent for the employees at some Crown corporations. Others receive their mandate so directly from government, that they tend to follow the settlements negotiated in central government.

The government has lessening degrees of influence in the larger corporations. BC Rail, BC Hydro, BC Transit, ICBC and BC Ferry Corporation provide examples of a lesser scope of influence for the government. In some cases, negotiated settlements have been at a higher rate than that achieved by the central government with the BCGEU. This has led to some rather anomalous situations.

Prior to the early 1980s a number of current Crown corporations did not exist. The functions were performed within the government by government employees. The differential in wage rates that now exists between the Crown corporations and the central government require close examination. When the Crowns were formed, some employees moved over to work for the newly formed corporation. In some cases employees of a Crown corporation will make more than their counterparts in the central government doing the same job. A current example involves the shift of the salt water ferry functions from the Ministry of Highways to the BC Ferry Corporation. This will mean an increase in salary of $5,000-$6,000 per year for doing the identical job.

Some Crowns will, as a courtesy, attempt to get a "comfort level" from the government with respect to their salary positions, but ultimately their mandate is set by their Boards of Directors, which may or may not follow the settlements achieved centrally.

3. School districts

The publicly elected school board in each of the 75 school districts has the authority to bargain the terms and conditions of any agreement negotiated with its employee groups. The manner in which this authority is manifested varies throughout the province. In some instances, a school district will rely solely on its own resources. In others, a district will hire labour relations expertise or even bring in a labour relations consultant to actually conduct the bargaining. This local autonomy allows a district to bargain for issues that are particularly important in their community as there are numerous proponents of this independence.

Despite this autonomy, it is interesting to note the degree of similarity between the wording of agreements. The BC Teachers Federation is involved in all the

negotiations. This, coupled with other factors, has led to a fairly high degree of commonality in teacher collective agreements throughout the province.

The processes of influencing the outcome, whether through collective bargaining structures or through the fiscal framework requires specific review.

4. Post-secondary institutions

Post-secondary institutions, which include the universities, the colleges and a number of specialized institutes, are much easier to coordinate than the school districts with their elected boards. The attendant public profile is reduced. Within these institutions, the mandate is set by the respective boards of directors. The government specifically appoints members to the Board. This, coupled with the ability of the government to control the dollars that each institution receives, has resulted in far less dramatic settlements than in the school districts.

The problem that has arisen, however, is that similarly qualified teachers are paid more in the public school system than in the post-secondary education system. Recent estimates indicate that, given two individuals with identical qualifications, the person in the school system will earn $6,000-$7,000 more than their counterpart working in the post-secondary institution. As a result, the colleges and universities are having some difficulty in attracting and retaining qualified personnel. The colleges are seeking the extra monies from the government to introduce parity between the systems. Further study is necessary to examine the structure of bargaining.

5. Municipalities

The government exercises no control in the operation of municipal collective bargaining. These negotiations are as independent from the provincial government as possible. While there is an informal sharing of information, the matter of funding is strictly determined through the setting of the mill rate.

6. Health care

With some minor exceptions, the health industry is entirely dependent on the government for financial support.

The Health Labour Relations Association (HLRA) is the bargaining agent for virtually all hospitals in the province. The Board of the HLRA is made up of representatives from the member hospitals. Each member hospital pays a portion of the funding it receives from the government to the HLRA for the services it provides. The Board of the HLRA sets the mandate in collective bargaining. The Ministries of Health and Finance have input and apprise the HLRA of the governments comfort level, but ultimately the Board has the final authority to approve a settlement.

The health care bargaining process is highly politicized. If the HLRA exceeds the government's comfort level and seeks additional funding to cover salary and benefit costs, the government is left in an awkward position. It either pays or denies the request. In the first case, costs increase, while in the second the government receives criticism for reduction in services.

Historically, the government has been unable to sustain a defence to job action by the employee groups in health care. The wage settlements in health care have been higher than elsewhere.

7. A general overview

The inability of the government to shape the outcome of collective bargaining in the broader public sector is an issue of increasing importance. Federal cost-sharing revenues are declining, expenditures are rising and the expectations of the public, particularly with respect to education and health care, are not abating. It is imperative that the government have more control over the cost of salaries if the budget is to be balanced.

With insufficient funds to go around, the government must find methods that will bring the players together to collectively determine their ability to pay.

F. Recommendations

1. Mitigating strategies

A number of models are available for consideration. Each brings an increased level of influence to the government in public sector negotiations.

- The most drastic option is to have all bargaining conducted in one place. In essence this would be a government bargaining agency responsible for conducting all negotiations. Clearly, this approach would require radical modification of the manner in which bargaining is currently conducted. However, it would introduce the greatest degree of control to the government.

- The second option involves the establishment of a central authority for the approval of mandates. One option would be for each Crown or other organization to seek approval for that mandate from the Minister of Finance, Treasury Board or some other central agency. Alternatively, GPSD could be the mandate approval agency.

- The third alternative is a variation on the second option. It, too, is a mandate approval agency, but it is structured on a sectoral basis. For example, the Crown corporations would seek approval for their

mandates from a central body, potentially the Crown Corporations Management Board; health care could obtain their approval form the Minister of Health. This model affords some direct control but continues to respect some of the unique features in each sector.

- The fourth option is somewhat different in that is achieves control through a financial infrastructure. A fiscal framework will provide the dollars available to the organization for negotiations. Exceeding this amount can only be accomplished in extreme cases and only then with approval from the highest authorities.

Irrespective of what option is followed, it is clear that greater central influence is necessary in order to achieve equity and provincial deficit objectives. We would find some merit in a multi-year agreement in which non-monetary items were traded off against wages. The unions involved should be given a clear and genuine opportunity to develop, advance and implement a greater and permanent role for themselves in achieving a solution.

2. Further study

The reaction of the unions to the centralization of the bargaining process or, at least, the mandate approval process must be considered. In some cases it is unlikely to cause too many problems. In other areas, however, the government may be met with strong opposition. The teachers and nurses, in particular, have flourished under the current system.

Employer reaction, in some cases should be positive. The school districts may be ready to move away from the fragmented approach to bargaining. Pay inequities between districts which are geographically proximate are creating problems and school districts may now be more prepared to adopt a centralized approach to bargaining.

Crown corporations receive significant support from the government. In some cases, the government is assisting with some substantial operating deficits. Seeking approval for mandates would be, for these organizations, a small concession.

Further study is required to determine the reactions of both employers and employee groups in implementing a revised strategy to the negotiation of collective agreements.

Finally, irrespective of which option is selected, the government will need to determine the infrastructure that is required to turn the existing system into a more equitable and predictable system.